

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4029
ANSWERED ON:20.03.2015
CURBING NON ESSENTIAL IMPORTS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken stringent measures to contain Current Account Deficit (CAD) and took tough steps for curbing non-essential imports;
- (b) if so, the details thereof and its impact on the stock market; and
- (c) the extent to which it has helped in containing CAD?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) & (b) Indias Current Account Deficit (CAD) was at elevated levels in 2011-12 and 2012-13 largely due to higher trade deficit, which was driven by higher crude petroleum oil and gold imports. The continuance of higher CAD in the first quarter of 2013-14 in tandem with the reversal of net capital/ financial flows, particularly in the debt segment of portfolio investment arising out of the apprehensions about the withdrawal of quantitative easing by the US Federal Reserve in May 2013, led to a sharp bout of the depreciation of the exchange rate of the rupee in June-September 2013. Various measures were undertaken by the Government to promote exports and compress non-essential imports in 2013 included:

(a) increase in customs duty on gold from 2 per cent in January 2012 to 10 per cent in August 2013, (b) diesel prices were increased in small doses periodically to reduce consumption and imports and (c) restrictions put in place in the form of 80:20 scheme for nominated banks/agencies/entities to rationalize the import of gold in any form/purity including import of gold coins/dore into the country. These measures helped in reducing trade deficit and CAD in 2013-14. The RBI also put in place a limited period special swap scheme for attracting foreign currency non-resident deposits in September 2013 to boost capital/financial flows, which also helped in arresting the depreciation of the rupee. The performance of Indian equity/stock market depends on, among other things, the sentiments of global investors and their assessment about risks and returns including the outlook for the Indian economy, commodity, currency and financial markets. Even in the period of stress in the external sector in 2013-14, the equity indices exhibited two-way movements and were relatively resilient.

(c) The measures put in place by Government to reduce non-essential imports and strengthen export performance of India helped in reducing the level of current account deficit (CAD) from US\$ 87.8 billion (4.8 per cent of GDP) in 2012-13 to US\$ 32.4 billion (1.7 per cent of GDP) in 2013-14. During 2014-15 (April-December), CAD was US\$ 26.3 billion (1.7 per cent of GDP) as against US\$ 31.1 billion (2.3 per cent of GDP) in 2013-14 (April-December).